


Ram Petroleums Limited

Annual Report 1972



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RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)

Executive and Head Office

Suite 1000, The Simpson Tower, 401 Bay Street, Toronto, Ontario M5H 2Y4

Directors

Howard Barclay
Richard H. Krempulec
Ralph W. McDowell
Robert J. Opekar
R. Bredin Stapells, Q.C.

Transfer Agents

Guaranty Trust Company of Canada
Toronto, Ontario
The Bank of Butterfield Executor
and Trustee Company Ltd.
Hamilton, Bermuda

Officers

Robert J. Opekar, President
Richard H. Krempulec, Secretary

Auditors

Thorne Gunn & Co.
Toronto, Ontario

Exploration Manager

Cyril J. Hadley, P.Geol., P.Eng.

Banker

Royal Bank of Canada
20 King St. W.,
Toronto, Ontario

General Counsel

Stapells & Sewell,
Toronto, Ontario

REPORT TO SHAREHOLDERS

Ram has again had a good year of growth during 1972. Because it was considered in the best interest of the company, gas sales to Union Gas Limited were curtailed in 1972 pending the satisfactory completion of negotiations to place the Terminus gas pool into gas storage operations. Consequently, your company experienced a loss of \$224,124 for the year. Terminus still contains 4.7 bcf of gas and has considerable value as a gas storage pool. In the opinion of management the present value of this asset is many millions of dollars. If negotiations with Union are not concluded satisfactorily by October 1973, your company will enter into negotiations with other companies who have indicated an interest in purchasing or leasing the Terminus gas pool.

Management's main concern in recent years has been to develop a longer life and growing source of income than that obtainable from Terminus. Petroleum exploration to achieve this end has been concentrated in the Michigan Basin which includes a large portion of Michigan and a small part of Southwestern Ontario. The reason for going there, particularly Michigan, was the combination of high product prices, accessibility to markets, quality of reservoir as to volume and productivity and recently announced tax incentives for exploration drilling. In 1972 a new oil bearing pinnacle reef, the largest ever discovered in Ontario, was discovered by your company near Petrolia. Also, your company's wholly owned U.S. subsidiary, Ram Petroleum Inc. participated in two pool discoveries in Michigan. In addition, a very successful program of purchasing portions of royalty interests on or adjacent to discovery wells drilled by Shell U.S. in North Michigan was carried out by Ram Inc. and will, in future years, result in substantial additional revenues.

An unusually warm winter and wet spring in Michigan and Ontario caused impossible road and field conditions which resulted in delays in the development of Ram's Petrolia East and Michigan discoveries. In due course, however, these will come on stream. By 1974, according to our best estimates, cash flow from operations in the Michigan Basin before head office overhead and new exploration expenditure will rise to over \$1 million. From this time on a steady increase in income from the Michigan Basin area is anticipated.

Your company continued to improve and upgrade its holdings in Canada's frontier areas. A more detailed review of the company's exploration program is presented on pages 5 to 12 of this report.

We believe that the anticipated energy crisis in North America will be far more severe than predicated. In our opinion, large reserves of other fuels, such as coal, will become valuable assets. For this reason Ram has made a substantial investment in exploring for lignite coal in Saskatchewan. Lignite is usable as a fuel for thermal hydro electric generators and can also be converted into synthetic gas. People's Gas Company of Chicago have taken an option on a lignite deposit in North Dakota located south of your company's area of interest and is investigating the feasibility of a gasification plant. A drilling program for lignite coal which was commenced in 1972, is being continued under the supervision of your company's coal consultants, Abcon Engineering (Alberta) Ltd. Preliminary results are most encouraging. Details of this are described on page 13 of this report.

In keeping with our philosophy that the price of most natural resources, particularly hydrocarbons and minerals, will increase in value at a greater rate than other things, your company has, from time to time, particularly through its subsidiary, Mextor Minerals Limited, explored for minerals. Unfortunately most of this work, particularly that carried out in Mexico, has not discovered any important mine. Particulars of this work are described on page 13. Management has decided substantially to curtail expenditures on mining exploration in Mexico. Ram has committed to a small participation in a 1973 exploration project in Greenland in partnership with International Mogul Mines Limited, The International Nickel Company of Canada, Limited and Union Miniere Explorations and Mining Corporation, Ltd. managed by Greenland Exploration Management Company, Inc. Ram continues to participate to the extent of 50% directly and through control of Taman Resources Limited, the other 50% participant, in the development of a tremolite prospect in Palmerston Township, Ontario. Recent new drilling has been encouraging and substantial tonnages of tremolite are now proven.

In addition to the planning and supervision of your company's many exploration projects, management also is involved, among other things, in making representations with respect to the importance of fair gas prices to Ontario gas producers and in ensuring that your company will receive fair treatment offshore Nova Scotia, where it holds provincial oil and gas permits without holding the coincident federal permits. Here the resolution of a dispute between the Federal and Provincial governments as to jurisdiction will determine Ram's position. Of particular importance is Ram's eventual interest in a permit block located close to Shell Canada's Primrose gas discovery.

It is with regret that I must advise you that your general manager, Leonard Casciato, will soon be obliged by other business interests to reduce his involvement with Ram to that of a consultant. We hope to find a replacement to provide the excellent administrative guidance that he has made available to us in the last four years.

The company has progressed in the last few years in developing assets which will add substantially to future income and I would like to reassure you that this trend will continue into the foreseeable future.

On Behalf of the Board,

R. J. OPEKAR, President

May 15, 1973



RAM PETROLEUMS LIMITED

PRINCIPAL EXPLORATION AREAS

1. **ARCTIC ISLANDS** (Sverdrup Basin)
Federal oil and gas exploration permits
72,491 acres, Ram 75%, Forest Oil 25%
107,504 acres, Ram 75%, Imperial Oil 25%
2. **NORTHWEST TERRITORIES** (Great Bear Basin)
Federal oil and gas exploration permits
789,869 acres, 100%
3. **YUKON**
Pending Federal oil and gas exploration permits
182,890 acres, 100%
4. **OFFSHORE BAFFIN ISLAND** (Foxye Basin)
Federal oil and gas exploration permits
97,092 acres, 100%
5. **DAVIS STRAIT OFFSHORE BAFFIN ISLAND**
(Cumberland Basin)
Federal oil and gas exploration permits
1,087,410 acres, Ram 66⅔%, Gulf 33⅓%
6. **HUDSON BAY** (Hudson Bay Basin)
Federal oil and gas exploration permits
124,488 acres, 80%
7. **SASKATCHEWAN**
Lignite coal, exploration permits
245,600 acres, 100%
8. **MICHIGAN** (Michigan Basin)
Petroleum leases
29,465 net acres, Ram Petroleums Inc.
9. **ONTARIO** (Michigan Basin)
Petroleum leases
25,300 acres, 100%
10. **NEW BRUNSWICK** (Maritime Basin)
Oil and gas exploration permits
65,000 acres offshore, 100% (Federal)
316,800 acres onshore, 100% (Provincial)
11. **MAINLAND NOVA SCOTIA** (Maritime Basin)
Provincial oil and gas exploration permits
396,960 acres, 100%
12. **OFFSHORE NOVA SCOTIA** (Scotia Shelf)
Provincial oil and gas exploration permits
666,970 acres, 100%
13. **MEXTOR**
Mextor-Pinabete Mining Area
Silver, copper, gold, lead, zinc prospects
Ram 91.5% owner of Mextor Minerals Ltd.



OIL AND GAS EXPLORATION

MINERAL INTERESTS

Early in 1972, Ram adopted a policy of purchasing royalty interests along the prolific North Michigan pinnacle reef trend in order to more fully participate in this exciting play where the acquiral of acreage is either no longer possible or is extremely competitive. The basic approach is to purchase a portion of the land holders royalty interest, immediately prior to the drilling of selected exploratory tests which offer considerable hope of being discoveries. Ram Inc. has been very successful to date in this venture. Ram has a mineral interest in nine discovery wells drilled by a major oil company over the past few months.

Ram Inc. royalty interests on the reef trend vary from a low of .20% to a high of 5.21%. To illustrate the attractiveness of this venture, the Shell Morgan discovery well is used as an example. This well is rated as one of the more prolific discoveries made to date on the trend. Preliminary tests indicate the well is capable of producing 58 bcf of gas per day and 384 bbls of condensate for every 8.2 bcf per day produced on a 24/64" choke. The net pay thickness is reported as 202' with an average porosity of 9.6%. The spacing approved for this discovery consists of four 160 acre units. Ram Inc. has a royalty interest in all four units. In the discovery unit, assuming that the discovery well is allowed to produce at the rate of 11.6 bcf per day and 450 bbls per day of condensate, the yearly revenue could amount to about \$2,500,000 based on gas at 0.50¢ per mcf and condensate at \$3.00 per bbl. The lessors overriding royalty of 12½% would amount to \$312,500. Ram Inc. interest in this unit at 2.20% would amount to \$55,000 per year. Ram has a royalty interest in the three undrilled units which form part of the Shell Morgan discovery and which should generate similar income.

MICHIGAN

County	Leasehold		Mineral Interest	
	Gross acres	Net acres	Gross acres	Net acres
1 Alpena	835	356	—	—
2 Antrim	13,707	5,402	—	—
3 Charlevoix	5,026	1,855	—	—
4 Cheboygan	1,325	441	—	—
5 Clinton	5,383	2,691	—	—
6 Crawford	5,623	4,217	200	19
7 Emmet	480	160	—	—
8 Grand Traverse	492	175	2,394	450
9 Gratiot	7,302	3,349	—	—
10 Ingham	59	44	—	—
11 Isabella	3,043	1,521	—	—
12 Jackson	248	124	—	—
13 Kalkaska	454	231	828	50
14 Lenawee	4,780	1,930	—	—
15 Manistee	3,327	1,483	1,010	172
16 Mason	975	731	339	101
17 Mecosta	968	484	—	—
18 Montmorency	913	501	—	—
19 Oceana	120	70	—	—
20 Osceola	305	152	—	—
21 Oscoda	2,775	1,453	—	—
22 Otsego	1,857	741	840	11
23 Presque Isle	2,096	698	—	—
24 Tuscola	1,058	529	—	—
25 Wexford	566	127	975	196
TOTAL	63,717	29,465	6,586	999

ONTARIO

	Leasehold Net acres
26 Dawn	4,106
27 Enniskillen	9,589
28 Moore	7,389
29 Sombra	4,214
TOTAL	25,298

MICHIGAN (MICHIGAN BASIN)

Ram Petroleum Limited holds in excess of 29,000 net acres under lease in the State of Michigan. In December 1972 Ram Inc. and partners, Michigan Consolidated Gas Co. and Petrotech Inc., made an oil discovery in Bagley Township, Otsego County, North Michigan. The Michcon-Ram-Petrotech Gornick 1-23 exploratory test based on a seismic anomaly encountered near crest position on a 150 acre Silurian pinnacle reef. The discovery well penetrated 75' of gross oil pay of which 57' is considered net. Preliminary flow testing at various choke sizes indicated that the well would flow 15 bbls. of oil per hour through 13/64" choke. A thirty day test period should commence in April 1973 when improved road conditions allow the movement of testing equipment and tanks on to the well site. Ram has 33½% working interest in the discovery well and 780 surrounding acres.

An additional seismic program was conducted early in 1973 to evaluate the remaining acreage in the 780 acre block. The results of this program were very encouraging and prompted the running of one additional line of seismic in this area.

Elsewhere in the north Michigan reef play, Ram and two partners conducted a 7.0 mile seismic program over a 398 acre block in Mason County immediately east of several reef discoveries made by Total Oil Inc. and partners in 1972. This seismic is awaiting final interpretation by our geophysical consultant. Ram has a 75% working interest in this acreage.

In March, 1973, Ram Inc. and partners made an important oil and gas discovery in Charlton Twp., Otsego County, North Michigan. The Reef Petroleum Corporation, Edward J. Hahn #1-24 exploratory test based on a seismic

anomaly encountered the crest of a Silurian Pinnacle Reef with an indicated gross pay thickness of 400'. Mechanical logs indicate the upper 350' of reef to be gas bearing with an underlying 40' of oil pay. Porosity and permeability is exceptional over one 123' interval where cavernous conditions are apparent. This well will be commencing a 30 day test period as soon as weather and lease conditions permit. Ram Petroleum Inc. has a 9% working interest in this important discovery well and in 751 adjacent acres. Ram through this participation has earned the opportunity to participate with the group in the drilling of another nearby seismic anomaly for a 9% working interest.

ONTARIO (MICHIGAN BASIN)

Ram has in excess of 25,000 carefully selected acres under lease in the pinnacle reef belt of Lambton County, Southwestern Ontario, where your company's Terminus Pool was discovered in 1968 and the Petrolia East Pool in 1972. During 1972, Ram participated in the drilling of four exploratory tests, one of which was farmed in from a major gas utility but proved to be dry. The three remaining tests were 100% company owned; one resulted in the discovery of the Petrolia East Pool; one encountered an anomalous buildup in the Guelph formation indicative of nearby reefing, and one was found to be normal and dry.

PETROLIA EAST

In August 1972, Ram made an important oil discovery in Enniskillen Township, Southwestern Ontario approximately half a mile east of the Town of Petrolia. The Ram #15, Enniskillen 1-17-X exploratory test, based on geological and geophysical reef finding parameters encountered the crest of a 200 acre Silurian pinnacle reef with estimated oil in place of 6,750,000 bbls. The entire reef is 100% controlled by Ram. This discovery well penetrated 125' of gross oil zone with 105' net averaging 10% porosity. Initial oil production was indicated to be 150 BOPD. Subsequent drilling of four development wells resulted in two additional oil producers and two dry holes. One well, Ram #18, established the presence of a gas cap some 46' in thickness and a gross oil pay of 153'. This well had indicated initial oil production of 200 BOPD. A third oil well, Ram #19, encountered a porous but relatively impermeable oil section which requires stimulation in order to become an economic oil producer. During the month of February a 3½" pipeline was constructed to connect the oil producers to a common battery site to facilitate the shipment of oil during bad weather conditions which previously kept the wells shut down for long periods of time. Improved production is expected once the pipeline and tank battery come into operation. Four additional development wells are expected to be drilled on the reef in the coming months to further delineate the reef and add to the number of producing wells.

Ram completed twelve miles of seismic work in 1972 and plans an additional fifteen miles of followup survey in 1973 to upgrade encouraging results of the 1972 program. It is anticipated that between three and five exploratory tests on separate prospects will be drilled in 1973.

DRILLING RESULTS 1973

ONTARIO

APRIL 1973

RAM—1972 EXPLORATORY DRILLING

- 100% Ram #15 (Petrolia East Discovery Well)
- 100% Ram #16 (Anomalous thinning-anomalous Guelph thick-dry hole)
- 100% Ram #20 (Dry hole)
- 50% Ram-Union #1, Moore 5 - 3 - VII (Dry hole)

RAM—1972 DEVELOPMENT DRILLING

- 100% Ram #17 (Dry hole)
- 100% Ram #18 (Oil producer)
- 100% Ram #19 (Indicated oil producer)

TO DATE RAM—1973—EXPLORATORY DRILLING

- 86.25% Ram #21 (Dry hole)
- 100% Ram #22 (Anomalous; dry hole)

TO DATE RAM—1973—DEVELOPMENT DRILLING

- 100% Ram #23 (Dry hole)

MICHIGAN

- 33⅓% Michcon-Ram-Petrotech Gornick #1-23 (Discovery Well)
- 85% Great Lakes-Ram Yule King #1-15 (Dry hole—Oil show)
- 9% Reef Petroleum Corporation Hahn #1-24 (Discovery Well)

DAVIS STRAIT OFFSHORE BAFFIN ISLAND (CUMBERLAND BASIN)

Ram has Federal oil and gas exploration permits over 1,087,410 acres in the Labrador Sea off the east coast of Baffin Island adjacent to permits held by companies such as Imperial Oil Limited, Banff-Aquitaine and Siebens Oil and Gas.

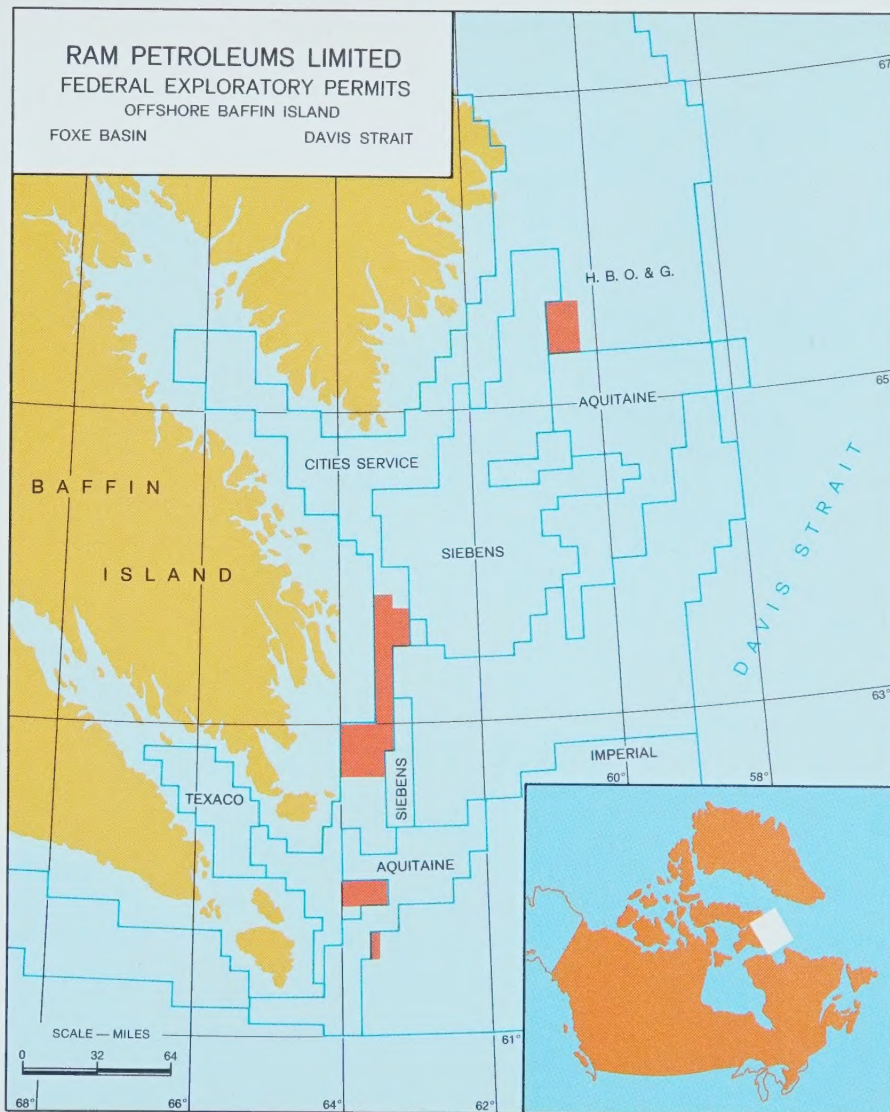
This is a very prospective area where sediments up to and beyond 20,000 feet are expected to contain large reserves of hydrocarbons. Ninety percent of the oil in the world has been found in sedimentary rock of the type believed to underlie this area. The Canadian Petroleum Association's estimate of potential reserves in the area of the Grand Banks and Labrador Sea is 25 billion barrels of oil and some 150 trillion cubic feet of natural gas.

During 1971 Ram farmed out its holdings in this area to Gulf Canada Limited. Gulf can earn a 33⅓ percent interest by performing exploratory work and will have the option to earn up to 80% interest for the drilling and completion of an exploratory well. An aeromagnetic survey was completed during 1971 at no cost to your company.

The permits in question lie in an area which will be covered by a marine geophysical program to be conducted by Gulf Canada late this summer (approximately August). The total cost of this program is estimated at \$400,000.

OFFSHORE BAFFIN ISLAND (FOXES BASIN)

In 1971 Ram filed on 97,092 acres of Federal permits in the Foxes Basin off the west coast of Baffin Island. This basin, although small in aerial extent, is located in the Arctic lowlands where Lower Paleozoic rocks are considered prospective for oil and gas.





ARCTIC ISLANDS (SVERDRUP BASIN)

Ram has 179,995 acres of Federal Government exploratory oil and gas permits in the Sverdrup Basin of the Canadian Arctic Islands. These permits which are shown on the adjoining map are favourably located with respect to known geological structures, recent gas discoveries, proposed and current drilling activities.

Early in 1972 Ram farmed out two permits consisting of 107,504 acres off Amund Ringnes Island to Imperial Oil Limited who can earn a 25% working interest by satisfying work obligations up to August 9, 1980 in the amount of \$279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to Ram, by drilling a test well to evaluate the Triassic Heiberg formation or to 10,000 feet whichever is the lesser.

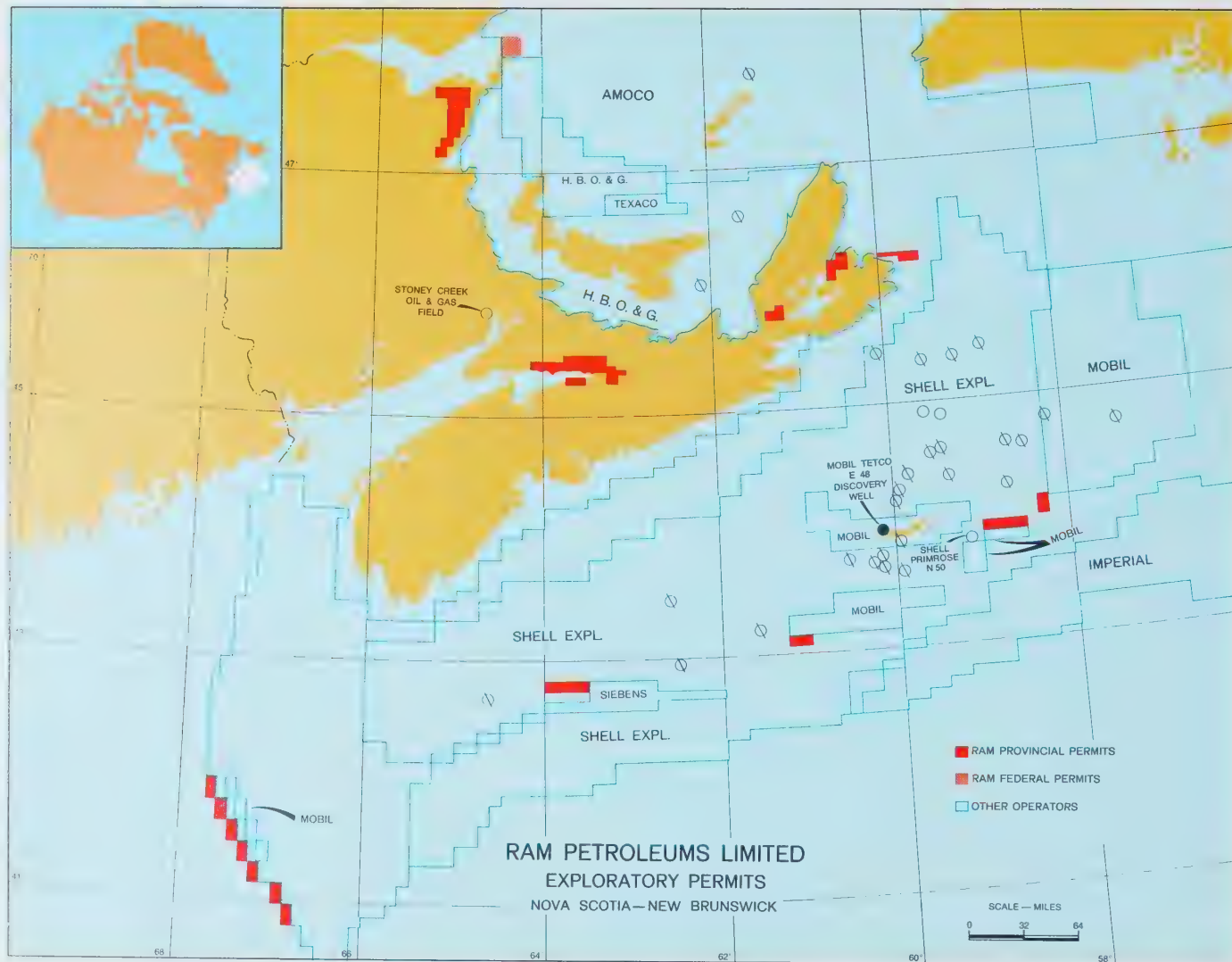
Subsequently Ram farmed out two permits consisting of 72,491 acres on Axel Heiberg Island to Forest Oil of Canada, Ltd., a wholly owned subsidiary of Forest Oil Corporation of Denver, Colorado. Forest can earn a 25%

working interest by satisfying work obligations to 1980 in the amount of \$192,101. Forest has the option of increasing its interest to 75% by drilling and completing a well on each of the permits. Ram may convert its remaining 25% working interest in any drilling tract to a 7½% gross overriding royalty.

Panarctic Oils Limited and partners have made significant natural gas discoveries on Melville, King Christian and Ellef Ringnes Islands over the past four years. Oil was discovered on Ellesmere Island in 1972. Recently Panarctic discovered additional gas reserves on Melville Island. Early this year Dome Petroleum discovered gas on King Christian Island on the Wallis structure. A similar structure south of the Wallis is to be drilled on the south shore of King Christian Island.

It is significant to note that Ram's holdings are all within this area of extremely high potential for discovering major gas and oil reserves. The Ram permits offshore Ellef Ringnes Island are approximately five miles north of the presently drilling Sun-Gulf-Global Linckens Island P-46 Test.

The Ram holdings on and offshore Axel Heiberg Island are underlain in part by significant anticlines and are relatively close to current drilling activity. The northernmost permit is approximately 10 miles south of the proposed Horn River Resources, C. C. S. Getty middle fiord K-52 Test which should be drilled later on this year.



OFFSHORE NOVA SCOTIA (SCOTIA SHELF)

Ram has provincial exploratory permits on 666,970 acres offshore Nova Scotia on the Scotian Shelf where extensive exploratory drilling is being carried out by Shell and Mobil in the area of the Sable Island and Primrose discoveries.

In 1972, Shell drilled the Primrose N-50 exploratory test some thirty miles east of Sable Island which confirmed the presence of a significant gas bearing structure. Two additional wells on the Primrose structure have confirmed the presence of a main gas zone uppermost of four pay zones found in the discovery well. The discovery well is located approximately three miles west of one of Ram's provincial permits.

Ram has recently completed a 292 mile purchase of non-exclusive offshore seismic transversing or adjacent to Ram permits in the vicinity of Sable Island and the Primrose structure. An additional twenty-three miles of 1973 seismic will be purchased this summer for a total of 315 miles. Ram proposes to evaluate this data prior to shooting a minimum 100 miles of seismic over the more promising portions of its offshore holdings.

MAINLAND NOVA SCOTIA (MARITIME BASIN)

Ram has provincial exploratory permits on 396,960 acres of mainland Nova Scotia. This land is situated over three minor carboniferous basins which offer the possibility of finding production and reserves similar or better to those of the Stoney Creek field near Moncton, New Brunswick which is located in a similar geological province.

A 20.5 mile seismic program has been completed over 247,200 acres adjacent to Cobequid Bay immediately west of the town of Truro, Nova Scotia, confirming the presence of considerable thickness of carboniferous sediments. A stratigraphic drilling program on the more promising prospects is being contemplated for this area. The adjacent offshore acreage in Cobequid Bay is held by Mobil Oil Canada.

OFFSHORE NEW BRUNSWICK (MARITIME BASIN)

Ram has 65,000 acres under Federal permit offshore New Brunswick and the Gaspé Peninsula, where at least 6,000 feet of Permo-carboniferous sediments are believed to be present extending to a maximum of 25,000 feet basinward from our permits. No information has been released on three wells drilled in the gulf to date; however, prospective reservoir potential is believed to exist. Silurian reef exposures have been examined on the Gaspé Peninsula immediately to the west of our permits and rocks of Mississippian age produce oil and gas at Stoney Creek near Moncton. The Ram permits are adjacent to those held by Amoco Canada and Hudson's Bay Oil & Gas.

NEW BRUNSWICK (MARITIME BASIN)

Ram has 316,800 acres under provincial exploratory permit in North Eastern New Brunswick on the rim of a possible basin extending under the Gulf of St. Lawrence. Permo-carboniferous sediments from 3,000 feet to 5,000 feet in thickness are postulated to underlie these onshore permits and prospective horizons include sandstone beds that are responsible for production in the Stoney Creek Field near Moncton. Ram's acreage is located adjacent to the holdings of New Brunswick Oilfields and Hudson's Bay Oil & Gas.

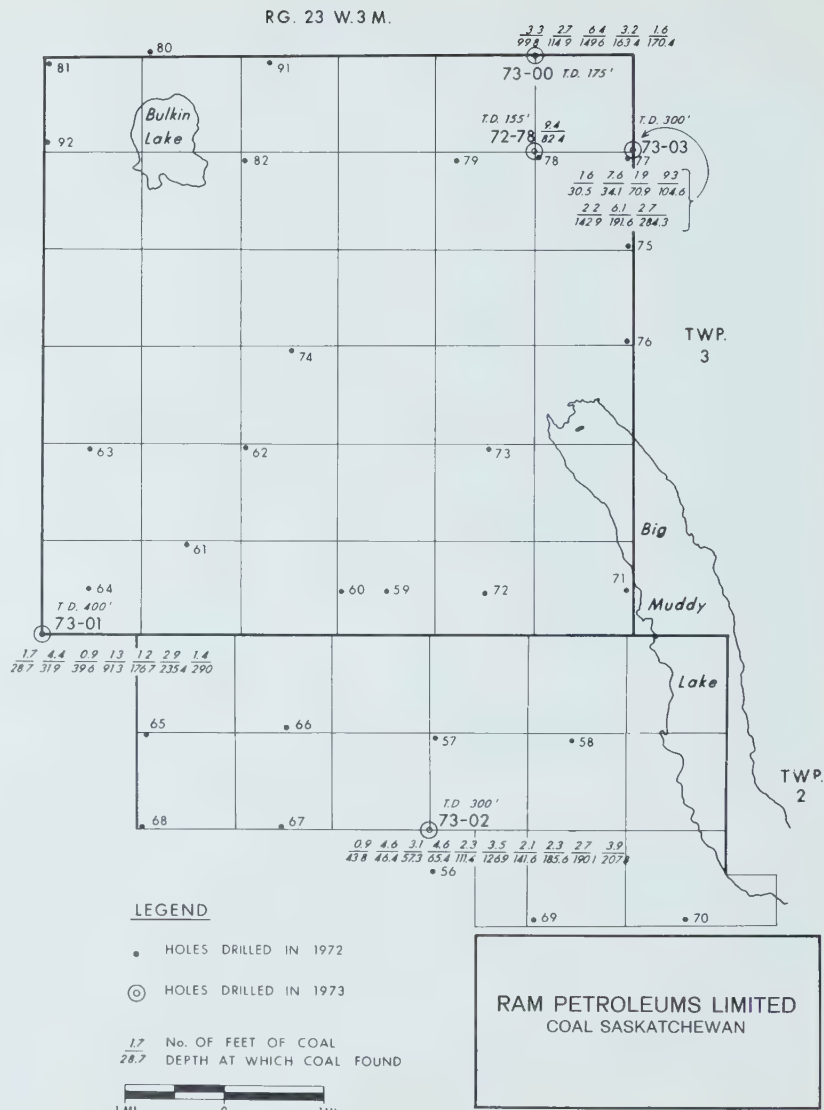
NORTHWEST TERRITORIES AND YUKON

In the Northwest Territories Ram Petroleum Limited has 789,869 acres under federal permit and 182,890 acres in the Yukon under tentative permit pending changes in the federal regulations.

Ram and partners completed a marine seismic survey in 1971 over separately held permits in Keith Arm of the Great Bear Lake, where Ram holds 100% interest in 239,811 acres. This seismic data from the 1971 program has been evaluated together with purchased seismic data from adjacent acreage. A basal Cambrian sand play is now postulated for this area and a drilling program is presently being contemplated.

North of Great Bear Lake, Ram has completed a 30.5 mile seismic program over a portion of 550,058 acres. A seismic data trade for an equal number of miles has been completed with a major oil company, which holds adjacent acreage. A basal Cambrian sandstone play is also envisaged for this area.

During 1972, Ram acquired several federal permits for a total of 106,513 acres in the Bonnet-Plume area of the Yukon where prospects for gas and oil are felt to be favourable in Paleozoic and younger beds. Recently Ram filed on 76,377 acres, in the Eagle Plain area of the Yukon, where a shoreline sandstone facies of Jurassic age is postulated as trending southwestwardly from the prolific Mackenzie Delta area through Ram's permits. As the Yukon permits are tentatively issued pending changes in the federal land regulations, Ram does not plan any immediate exploratory work on these permits.



MINING EXPLORATION

LIGNITE

In recent weeks your company has obtained encouraging results from a reconnaissance lignite coal drilling program on six coal concession blocks totalling 245,600 acres located in Southern Saskatchewan. Commercial intersections were encountered in 14 holes drilled on three of the blocks. Presence of lignite coal in commercial quantities was confirmed by electrologs. In addition, 16 holes failed to confirm the presence of lignite coal in commercial quantities and your company will therefore soon be able to surrender a substantial portion of its holdings and concentrate on the proving up of a mineable deposit. Drilling will continue for about another month after which results with respect to quantity and quality of deposit will be evaluated.

Your company has been approached by an engineering consultant for a consortium of gas utility companies and asked to tender reserves of lignite for a purchase option contract. Lignite coal is used to power hydro electric generating plants and can also be converted to synthetic gas by the Lurgi process.

A sample of drilling results in one of your company's six acreage blocks is shown on the opposite page.

TREMOLITE

In Palmerston Township, Ontario, 3500' of Bx core diamond drilling of a zone 1500' long with an average width of approximately 200' has indicated about 2.5 million tons of tremolite material to a depth of 200'. Except for a higher content of muscovite micas, the chemistry of the deposit is similar to the deposits being mined in the Gouverneur area of New York State. Mill test work indicates that the micas can be removed by flotation or air separation. Ram has a 50% interest in the property and a 40.85% holding in Taman Resources Limited, the other 50% owner. Tremolite is a chemically inert filler and binder used principally in industrial ceramics and in the manufacture of floor tiles and paint.

MEXTOR MINERALS LIMITED

Ram owns 91.55% of the outstanding shares of Mextor Minerals Limited, which through its 49% owned affiliate, Compania Minera de Pinabete, S.A., continued exploring for minerals during 1972. An access road was constructed to the Domenica copper prospect and some shallow drilling and geochemical surveying was carried out. This work proved inconclusive. Because of the property's great areal extent, about 24,000 acres, and its location on a trend of proven porphyry copper occurrences, management is presently reviewing the work done to date and will attempt to interest a larger mining company to carry out a comprehensive geochemical survey to earn an interest in the property.

Also during 1972 work was begun on the Pinabete silver deposit feasibility report, including an engineering study of an access road to the property. With silver prices substantially higher it is felt that the 100,000 tons of indicated high grade ore averaging before dilution about \$55 per ton of gold and silver at current prices, and the probably additional substantial tonnages of lower grade ore, can be mined out at a profit. Upon completion of the feasibility report management will attempt to interest a larger company to bring this property into production.

In early 1973 a small high grade but narrow gold vein was examined and a primitive and small gold mining operation commenced in the Tapaipa area. Oxidized material is treated by mercury amalgamation to extract the gold. The operation has the possibility of generating some income to help the Mexican operation become self sustaining.

RAM PETROLEUMS LIMITED

(Incorporated under the laws of Ontario)
and subsidiary companies

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1972

(with comparative figures at December 31, 1971)

ASSETS

	1972	1971
Current Assets		
Cash	\$ 102,603	\$ 9,622
Marketable securities, at cost less allowance for decline in market value of \$40,860; 1971, \$13,481 (quoted market value 1972, \$232,455; 1971, \$292,410)	232,455	292,410
Accounts receivable	90,482	108,521
Prepaid expenses	16,382	15,687
	<u>441,922</u>	<u>426,240</u>
Investment in Subsidiary Company, Mextor Minerals Limited, at cost (note 1)		555,492
Capital Assets, at cost (note 2)	1,566,371	1,108,481
Less accumulated depreciation and amortization	357,308	304,811
	<u>1,209,063</u>	<u>803,670</u>
Other Assets		
Government of Canada bonds, at cost (quoted market value 1972, \$109,550; 1971, \$320,750) on deposit (note 3)	105,788	302,250
Other shares, at nominal value	1	1
Land	37,079	37,079
Deferred exploration and prospecting expenditures	928,423	152,251
Sundry deposits and advances	26,233	20,900
	<u>1,097,524</u>	<u>512,481</u>
	<u>\$2,748,509</u>	<u>\$2,297,883</u>

LIABILITIES

Current Liabilities

	1972	1971
Accounts payable and accrued liabilities	\$ 145,172	\$ 96,546
Income taxes payable	94,611	174,485
	<u>239,783</u>	<u>271,031</u>

Long Term Portion of Amount Payable on acquisition of exploration and prospecting permits 375,000

Deferred Income Taxes 57,000 199,000

Minority Interest in subsidiary company 47,117

SHAREHOLDERS' EQUITY

Capital Stock (note 4)

Authorized

150,000 6% Non-cumulative preference shares, redeemable at par value \$1

8,000,000 Common shares, par value 25¢

Issued

3,613,513 Common shares (1971 — 3,062,012 shares) 903,378 765,503

Premium on issue of shares less discount (discount in 1971) 1,026,806 (11,200)

1,930,184 754,303

Retained Earnings

474,425 698,549

2,404,609 1,452,852

Approved by the Board

ROBERT J. OPEKAR, Director

HOWARD R. BARCLAY, Director

\$2,748,509 \$2,297,883

RAM PETROLEUMS LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

	1972	1971
Income		
Gas sales (note 6)		
Current	\$ 498,589	\$ 995,548
Deliveries for which payment had been received in prior years		369,435
	498,589	1,364,983
Oil sales	20,002	10,365
	518,591	1,375,348
Less expenses	65,338	138,014
	453,253	1,237,334
Interest and dividends earned	31,326	34,518
	484,579	1,271,852
Exploration and development expenses		
Abandoned well costs, leases and mining claims	200,502	136,735
Oil, gas and mining consulting fees	4,096	9,688
Lease and royalty payments	160,929	142,874
Exploration expenses	257,540	98,084
	623,067	387,381
Administrative and general expenses		
Management fees	54,000	54,000
Directors' fees	9,000	9,000
Rent	16,689	16,140
Depreciation of office equipment and amortization of improvements to leased premises	6,385	7,442
Salaries	66,796	55,557
Travel expense	8,420	14,982
Legal and audit	34,318	20,117
Shareholders' expense	8,329	1,463
Secretarial and accounting fees		2,452
Corporate and office expense	25,684	13,234
Toronto Stock Exchange listing fee	6,000	
Interest expense	18,376	
Allowance for doubtful accounts no longer required	(28,276)	
Miscellaneous expense	16,329	7,539
	242,050	201,926
	865,117	589,307
Income (loss) before undernoted items	(380,538)	682,545
Income Taxes		
Current		208,500
Deferred (reduction)	(142,000)	15,000
	(142,000)	223,500
Income (loss) before extraordinary items	(238,538)	459,045
Extraordinary items		
Profit on sale of securities	39,417	97,481
Provision for decline in market value of marketable securities and write down of other shares	(25,003)	(15,857)
	14,414	81,624
Net income (loss) for the year	\$ (224,124)	\$ 540,669
Earnings (loss) per share		
Before extraordinary items	\$(.07)	\$.15
Net income (loss) for the year	(.07)	.18

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

Source of funds	1972	1971
Net income for the year		\$ 540,669
Items not involving current funds		
Deferred income realized during year		(369,435)
Depreciation and amortization		135,004
Abandoned well costs and mining claims		72,952
Deferred exploration and prospecting expenditures written off		18,377
Deferred income taxes		15,000
Write down of other shares		2,376
		414,943
Sale of bonds	\$ 171,837	
Bonds on deposit returned	24,625	
Issue of common shares for cash	800,881	
Issue of common shares on conversion of long term payable	375,000	
Reclassification of shares as marketable securities under current assets		446,551
Long term portion of amount payable on acquisition of exploration and prospecting permits		375,000
	1,372,343	1,236,494
Application of funds		
Loss for the year	224,124	
Items not involving current funds		
Depreciation and amortization	(52,498)	
Abandoned well costs and mining claims	(34,286)	
Deferred exploration and prospecting expenditures written off	(148,033)	
Deferred income taxes	142,000	
	131,307	
Additions to capital assets	517,177	564,421
Reduction in long term payable	375,000	
Investment in Mextor Minerals Limited		430,967
Increase in other assets		
Government of Canada bonds		73,875
Other shares		2,100
Exploration and prospecting expenditures	296,596	150,629
Sundry deposits and advances	5,333	3,082
	1,325,413	1,225,074
Increase in working capital	46,930	11,420
Working capital at beginning of year	155,209	143,789
Working capital at end of year	\$ 202,139	\$ 155,209

RAM PETROLEUMS LIMITED

and subsidiary companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1972

(with comparative figures for 1971)

	1972	1971
Retained earnings at beginning of year	\$ 698,549	\$ 157,880
Net income (loss) for the year	(224,124)	540,669
Retained earnings at end of year	\$ 474,425	\$ 698,549

AUDITORS' REPORT

To the Shareholders of
Ram Petroleums Limited

We have examined the consolidated balance sheet of Ram Petroleums Limited and subsidiary companies as at December 31, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination of Ram Petroleums Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the other subsidiary company.

As set out in note 1, Mextor has deferred expenditures of \$741,964 at December 31, 1972, and the recovery of these expenditures is dependent upon the future commercial productivity of the exploration projects of Compania Minera de Pinabete, S.A.

In our opinion, subject to the recovery of the expenditures referred to in the preceding paragraph, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change in accounting practice with regard to Mextor Minerals Limited as explained in note 1 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 20, 1973

THORNE GUNN & CO.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972

1. Subsidiary Companies

The consolidated financial statements include the accounts of its wholly-owned subsidiary companies, Fibrop Mines and Oils Limited and Ram Petroleum Inc. The accounts of Mextor Minerals Limited (91.5% owned) which company was acquired in December, 1971 and shown as an investment in 1971 have been included on a consolidated basis in 1972.

Mextor Minerals Limited

The only asset of Mextor is deferred expenditures consisting of direct costs and advances to Compania Minera de Pinabete S.A. (Pinabete) and a major Mexican shareholder of Pinabete. The principal portion of deferred expenditures has been incurred in the Republic of Mexico where Pinabete is the holder or beneficial holder of mining concessions.

Summary of expenditures

(a) Advances to a major shareholder of Pinabete	\$ 56,993
(b) Advances to Pinabete	559,000
Direct expenses attributable to the Pinabete properties	125,971
	<u>\$741,964</u>

(a) Advances to a major Mexican shareholder of Pinabete

Mextor's interest in the exploration projects of Pinabete commenced with agreements made in 1969 as amended in November, 1971, with the Mexican owner of substantially all the outstanding shares of Pinabete. Under the terms of the agreements, in return for the advances shown above, Mextor obtained title to the major shareholder's 1,223 Class "B" shares, which shares represent a 48.92% interest in Pinabete.

Repayment of the advances plus interest at 12% per annum, is limited to the proceeds which can be realized from sale of the major shareholder's Class "A" shares of Pinabete (representing 50.92% interest) to other Mexican nationals within a thirty year period to the year 2000.

The cost of Mextor's investment in Pinabete will not be established until future periods. The cost of Mextor's investment is dependent upon the future commercial productivity of Pinabete's exploration projects.

(b) Advances to Pinabete

Pinabete holds concessions near Guadalajara, Mexico and has the right to develop certain other properties under option agreements.

Compania Minera de Pinabete, S.A. (Pinabete)

Summary of financial position as at December 31st, 1972	December 31 1972
Deferred expenditures	\$ 559,530
Other liabilities, net	3,183
	<u>556,347</u>
Advances from Mextor Minerals Limited	559,000
Net deficit	<u>\$ 2,653</u>

The auditors' report of Mextor Minerals Limited on the financial statements for the period ended December 31, 1972 states that the recovery of the deferred expenditures of \$741,964 is dependent upon the future commercial productivity of the exploration projects of Compania Minera de Pinabete S.A.

2. Capital Assets

	1972		1971	
	Cost	Accumulated depreciation and amortization	Cost	Accumulated depreciation and amortization
Interest in natural gas and oil leases and mining claims	\$ 396,622	\$ 17,666	\$ 149,330	\$ 16,883
Equipment	142,744	93,017	139,139	75,860
Development costs deferred	561,369	242,931	356,961	209,250
Improvements to leased premises	4,380	3,694	4,380	2,818
Exploration and prospecting permits and licences (see following)	461,256		458,671	
	<u>\$1,566,371</u>	<u>\$ 357,308</u>	<u>\$1,108,481</u>	<u>\$ 304,811</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1972

2. Capital Assets (Continued)

Exploration and prospecting permits

Included in exploration and prospecting permits are four Federal Exploratory Permits for oil and gas in the Sverdrup Basin of the Canadian Arctic Islands.

The company has entered into a farm-out agreement with Imperial Oil Limited with respect to two permits. Imperial Oil Limited can earn a 25% working interest by satisfying work obligations up to August 9, 1980 in the amount of \$279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to the company, by drilling an exploratory well.

The company has entered into a farm-out agreement with Forest Oil of Canada Limited (Forest Oil) with respect to the other two federal permits. Forest Oil can earn a 25% working interest by satisfying work obligations up to August 9, 1980. Forest Oil has the option of increasing its interest to 100% subject to a 7½% gross overriding royalty in favour of the company, by drilling an exploratory well. If Forest Oil drills an exploratory well it will earn an additional 50% working interest in the other permit area.

The company has Provincial Exploratory Permits on acreage offshore Nova Scotia. The company does not have the coinciding federal permits on its offshore acreage which permits are held by other oil and gas companies. There are negotiations in progress between the federal and provincial governments in connection with the right of the Province to grant the said permits and the status of the company's permits will have to await the outcome of these negotiations.

3. Government of Canada Bonds on Deposit

The company has deposited \$105,000 par value Government of Canada bonds having a cost of \$105,788 as a guarantee that exploration expenditures equal thereto will be made.

4. Capital Stock

During the year the company issued 401,501 common shares for \$800,881 cash and 150,000 common shares upon the conversion of the long term portion of the amount payable on acquisition of exploration and prospecting permits.

The company has reserved 15,000 common shares pursuant to the granting of an employee stock option. 10,000 shares must be purchased by December 31, 1973 at a price of \$1.40 per share and the remaining 5,000 shares must be purchased by December 31, 1974 at a price of \$2.50 per share.

5. Contingent Liabilities

Letters of Credit in the amount of \$74,958 are on deposit to guarantee exploration work obligations outstanding at December 31, 1972. The company has made a general assignment of debts and various properties under Section 82 of The Bank Act.

6. Gas Purchase Contract and Terminus Pool

By letter dated October 3, 1972 Union Gas Limited (Union) notified the company that it was exercising its option, under the gas purchase agreement between it and the company, to form a gas storage company to purchase the company's assets, gas in place and storage right at the company's Terminus Pool in Sombra, Ontario. The said gas storage company would be owned equally by Union and the company. The company has disputed the legal validity of the option and discussions are now taking place between the company and Union in an attempt to resolve this matter.

The company has also returned to Union its cheque for \$267,022.19 being a payment by Union for 653 mmcf of gas to be delivered in the future on the grounds that such payment was made after the due date. This constitutes part of the 4,700 mmcf remaining at the Terminus Pool.

7. Other Statutory Information

	1972	1971
Remuneration of directors and senior officers (as defined by The Business Corporations Act)	\$ 73,935	\$ 77,562
Depreciation	17,158	37,097
Amortization	35,340	97,907

RAM PETROLEUMS LIMITED
and consolidated subsidiaries

**CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION OF FUNDS**
(Subject to audit and year end adjustments)

Six months ended June 30, 1972

(With comparative figures for the six months ended
June 30, 1971)

	1972	1971
Source of funds		
Net income for the period	\$ 26,429	\$ 392,206
Items not involving current funds		
Deferred income realized during year	—	(222,186)
Depreciation and amortization	27,345	21,127
Abandoned well costs and mining claims	—	71,141
Deferred exploration and prospecting expenditures written off	—	57,067
Deferred income taxes	(6,000)	(67,000)
	47,774	252,355
Sale of shares in other companies	—	320,566
	47,774	572,921
Application of funds		
Additions to capital assets	88,502	50,452
Increase in sundry deposits and advances	1,925	185,123
Investments	146,492	143,479
Exploration and prospecting expenditures	64,433	21,299
	301,352	400,353
Increase (decrease) in working capital position	(253,578)	172,568
Working capital at beginning of period	155,209	143,789
Working capital (deficiency) at end of period	\$ (98,369)	\$ 316,357

AR36

RAM PETROLEUMS LIMITED
(Incorporated under the laws of Ontario)

Executive and Head Office	Suite 1000 The Simpson Tower 401 Bay Street Toronto 103, Ontario
Directors	HOWARD BARCLAY RICHARD H. KREMPULEC RALPH W. McDOWELL ROBERT J. OPEKAR R. BREDIN STAPELLS, Q.C.
Officers	ROBERT J. OPEKAR, President RICHARD H. KREMPULEC, Secretary
General Manager	LEONARD CASCIATO, M.A., P.Eng.
Petroleum Geologist	CYRIL J. HADLEY, B.Sc., P.Eng.
Mining Geologist	CHARLES C. ALLEN, Ph.D., P.Eng.
Transfer Agents	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario THE BANK OF BUTTERFIELD EXECUTOR AND TRUSTEE COMPANY LTD. Hamilton, Bermuda
Auditors	THORNE GUNN & CO. Toronto, Ontario
Banker	ROYAL BANK OF CANADA 20 King St. W. Toronto, Ontario
General Counsel	STAPELLS, SEWELL, STAPELLS, PATTERSON & RODGERS Toronto, Ontario

File

Ram Petroleums Limited

Interim Report 1972

To the shareholders:

Your company recently has made an important oil discovery in the course of drilling a Silurian pinnacle reef at Petrolia, Ontario. After drilling through 224' of tight reef formation oil was encountered at a depth of 1,994'. Further drilling encountered 125' of gross oil pay which, after interpreting radioactivity logs, indicated 105' of net oil pay with an average porosity of 10%. The well, Ram #15, will be completed shortly in order to evaluate its productivity. A second drilling rig has been requisitioned and development drilling will take place soon.

Your company's Petrolia discovery was made in the course of drilling the second of about eight target areas in Michigan and Ontario which will be drilled during 1972. The first well drilled this year, an offset to a marginal oil well drilled in Dawn Township, Ontario, during 1971, encountered a substantial build-up of the Guelph formation of Silurian age. No commercial production, however, was encountered. An intensive program to add to your company's already very substantial holding of oil and gas leases in Michigan and Ontario was continued during the first half of 1972.

Your company continued its policy of farming out acreage in frontier areas to larger oil and gas operators. Permits A-2765 and A-2766 constituting 72,491 acres on Axel Heiberg Island in the Canadian Arctic Islands was farmed out to Forest Oil of Canada, Ltd., a wholly-owned subsidiary of Forest Oil Corporation of Denver, Colorado.

Forest Oil of Canada, Ltd., has undertaken to maintain the permits in good standing until 1980 by applying work credits in the amount of \$192,101.15 to the permits. Forest Oil of Canada, Ltd., may increase its interest by an additional 50% by the drilling and completing of a well on each of the subject permits. Ram may convert its remaining 25% working interest in any drilling tract to a 7½% gross overriding royalty.

Permit A-2766 is located south of a proposed Drill-arctic exploration test which may commence drilling in early 1973. The other permit, No. A-2765 is located on a prominent anticline.

A seismic survey of oil and gas permits located north of Great Bear Lake, Northwest Territories, costing about \$112,000 was completed recently. Your company's holding of approximately 850,000 acres in this general area would seem well located with respect to proposed arctic gas transmission lines.

Your company's mining activities were restricted to its continuing interest in its 92% owned subsidiary,

Mextor Minerals Limited, which, through its Mexican affiliate, Cia Minera de Pinabete, S.A., carried out preliminary exploration and six miles of road construction on its La Domenica porphyry copper deposit in the State of Jalisco, Mexico. Road construction has almost been completed and trenching of known occurrences will commence shortly.

During the six months ended June 30, 1972, your company delivered approximately 663,216 mcf of gas compared with 1,946,082 mcf for the same period of 1971. Gas income for the first half of 1972 was \$277,887 compared with \$805,678, which included \$222,186 which had been received in a prior financial period but which was reclassified as income, for the first half of 1971. The company anticipates that the reduction of gas income on current account in the first half of 1972 will be offset by a corresponding increase of deferred income in the second half of the year.

Because of the decline in gas income, net income for the six months ended June 30, 1972, resulted in a loss of \$12,082 (.004¢ per share) before extraordinary items and net income of \$26,429 (.009¢) after extraordinary items compared with net income of \$296,626 (9.69¢) before and net income of \$392,206 (12.81¢) after extraordinary items for the comparable period of 1971.

On Behalf of the Board,

R. J. Opekar,
President.

August 25, 1972.

Note: SUBSIDIARY COMPANIES

The consolidated financial statements include the accounts of its wholly-owned subsidiary companies, Ram Petroleum Inc. (from incorporation on July 25, 1969) and Fibrop Mines and Oils Limited. At June 30, 1972, the company owned 91.44% of the issued shares of Mextor Minerals Limited. The accounts of Mextor have not been consolidated with the company as it is in the development stage. The auditors' report of Mextor Minerals Limited on the financial statements for the year ended September 30, 1971, states that the company had deferred expenditures of \$462,027 at September 30, 1971, and the recovery of these expenditures is dependent upon the future commercial productivity of the exploration projects of Compania Minera de Pinabete, S.A.

RAM PETROLEUMS LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME
(Subject to audit and year end adjustments)

Six months ended June 30, 1972
(With comparative figures for the six months ended June 30, 1971)

	1972	1971
Revenue from gas production	\$ 277,887	\$ 805,678
Revenue from oil production	3,375	2,694
	281,262	808,372
Less Expenses	33,831	7,131
	247,431	801,241
Interest and dividend income	6,519	13,435
	253,950	814,676
Exploration and development expense	142,459	211,140
Abandoned well costs	11,984	71,141
Administrative and general expenses	123,589	118,769
	278,032	401,050
Income (loss) before income taxes and extraordinary items	(24,082)	413,626
Income taxes (recoverable)	(12,000)	117,000
Income (loss) before extraordinary items	(12,082)	296,626
Extraordinary items		
Gain realized on sale of investments	25,030	95,580
Provision for decline in market value of marketable securities no longer required	13,481	—
Net income for the period	\$ 26,429	\$ 392,206
Net income (loss) per share		
before extraordinary items	(.004¢)	9.69¢
after extraordinary items	.009¢	12.81¢